

MCC Learning from the Green Prosperity: On-Grid Renewable Energy (RE) Grant Portfolio evaluation

Final Evaluation by Integra, November 2019

MCC has identified the following programmatic and evaluation lessons based on the *Green Prosperity: On Grid Renewable Energy Grant Portfolio* evaluation. This evaluation reinforced many of the lessons identified in the [Green Prosperity Facility Evaluation MCC Learning](#). As such, the lessons here focus on on-grid RE, specifically, rather than on grant facilities more generally.

PROGRAMMATIC LESSONS

- ***An on-grid RE grant facility does fill a need, but only if there is adequate time to screen, select and implement projects which would take most of MCC's five year timeline.*** As recommended by the evaluator in the report, MCC agrees that despite the disappointing performance of the GP facility in on-grid RE, there is still a need for this kind of facility as grants and leveraged financing can help move forward good projects that are not yet economically feasible. The underperformance of some of the on-grid RE grants was due to internal issues rather than sector issues. First and foremost, had the GP facility made grants in 2013 rather than late 2015 and 2016, the available records suggest that most of the full grants awarded would have been completed. In the future, on-grid RE facilities should be operational as close to EIF, as practical and budget expectations should be set based on an assessment of the pipeline of projects likely to meet requirements and not merely due to MCC priorities.
- ***A grant facility should use available information on project and MCA timelines to screen projects.*** Future grant facilities' operations manuals should develop a minimum timeline for the call for proposals (CFP) process and awards. Additionally, project timelines are often available by country or by technology from a wide variety of sources that detail the expected timeline to complete the project cycle. These two pieces of information can help the grant facility determine which projects stand a good chance of meeting the facility deadline. In turn, that information can be used to inform the CFP, short listing, and award processes to avoid wasting valuable screening time and better target projects that have a reasonable chance of moving to completion. MCC is working on a leveraged grant facility guidance document that will help address these concerns.
- ***Target marketing and outreach to expected users of the facility, project sponsor, and grant applicants and ensure that key Government of Indonesia (GoI) and public entities are part of the solicitation.*** The GPF targeted familiar audiences, namely the GoI and the general public. They did not actively target preferred users, such as credible project sponsors with well-developed and vetted projects, which is where the marketing and outreach attention needed to be directed. In addition, as the GPF was supporting project sponsors directly it had no commitment from key government actors such as the utility and regulators to move

selected projects forward. Finally, grant facilities should test the market early to support finalization of criteria as well as assess the likely pipeline.

- ***Creating a sustainable enabling environment is critical to opening up the market to new technologies such as on-grid RE.*** As discussed in the report, the compact covered important policy, legal, and regulatory changes that were needed in the enabling framework and made them condition precedents (CPs). MCC's attempts to create an enabling environment focused too much on policy and not enough on ensuring continued engagement of relevant line ministries, public utilities and regulators by involving them directly in the solicitation. MCC should ensure that funded grants have the support they need to be fully successful beyond the compact period.
- ***Grant facilities should ensure that a database of grant documentation and contact information exists in a form that is navigable by an independent evaluator in order to facilitate evaluation.*** Evaluations of grants, particularly those that are ex-post, face additional hurdles in accessing data because there are so many different stakeholders across the grantees and the MCA is no longer available to facilitate. This challenge is exacerbated in retrospective evaluations, which generally occur after program closure, and where the evaluators haven't previously formed contacts with program stakeholders. The evaluation team faced many difficulties in accessing electronic data for their desk review. A large part of the evaluation depended on these records and due to the decentralized nature of the grant facility, it took a lot of time and effort to access to some of these materials. It was later realized that some of the information was inconsistent, files were missing, and data was incomplete. This limitation prevented the evaluation from diving deeper into understanding timelines and processes. In addition, given that MCA was closed, it was hard to get meetings with staff members and grantees. To prevent this challenge in the future, MCC and MCA should require that grant facilities not only create a database to maintain records/documents and contacts but actually use it and make sure that it is available to be accessed after the end of the compact, and after the MCA web site shuts down.
- ***Technical assistance provided as part of projects such as those funded by on-grid RE should be aligned more towards continued development of those projects and not as a screen/due diligence.*** As is noted in the evaluation, the MCA strategy to provide grants for technical assistance and feasibility development overseen by a Project Management Consultant passively reviewing deliverables did not create aligned incentives to further project development but rather encouraged lengthy and counterproductive review and response periods that kept some projects from advancing past the preliminary study phase.

EVALUATION LESSONS

- ***Evaluations of individual grants from a grant facility present unique evaluability challenges, which affected the on-grid RE evaluation, that should be contemplated before embarking on grant facilities in future MCC programming:***
 - ***It is unclear how to apply the concept of accountability for results to a grant facility.*** In a facility with multiple programmatically diverse and geographically varied grants and when grants are identified midway through a compact and begin implementing shortly after approval, it is generally impossible to conduct a thorough and rigorous

evaluation of each funded grant. Given this, MCC should identify what the agency believes grant facility programs should be held accountable for.

- ***Individual grants are not held to the same documentation and due diligence standards as a normal MCC project and therefore rarely have program logics and clear targets that are required to facilitate evaluation.*** The on-grid RE portfolio of grants was not defined during compact development so evaluation design had to occur after the grants were selected. MCC is working on a leveraged grant facility guidance document that will help address these concerns and move grant identification earlier in the compact development process.
- ***Monitoring multiple de-centralized small grants is difficult, which means data quality varies from grant to grant.*** This presents challenges as the evaluator has to validate what actually happened instead of getting this information from the indicator tracking table or MCA documents. The evaluation ends up focusing on telling MCC what actually happened during the compact.

MCC is addressing this lesson by considering alternate evaluation approaches to these types of programs. These approaches might include assessing the overarching results of a grant facility, at the objective level, rather than attempting to evaluate a sample of grants in a more detailed manner; or conducting retrospective evaluations of grant facilities and associated grants, which would generally not allow for impact evaluation and may have limited baseline data with which to conduct a pre-post analysis.

- ***Estimating ex-post ERRs when critical data inputs are unavailable is not informative.*** The evaluation included a requirement to conduct a cost-benefit analysis to estimate the economic rate of return of the four completed on-grid RE grants one year after compact closure. However, the evaluation team was unable to collect or verify certain parameters to which the economic models were extremely sensitive. As such, a change in assumption for that parameter resulted in very different ERR estimates, in one case a formerly negative ERR moved to one that passed MCC's 10% hurdle rate. The ERRs, therefore, were difficult to interpret and did not provide a meaningful addition to the evaluation report. In an ex-post setting with limited data, cost-benefit analysis may not provide meaningful results.